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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY  
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RUEHAD/AMEMBASSY ABU DHABI PRIORITY 0427  
RUEHAK/AMEMBASSY ANKARA PRIORITY 4228  
RUEHBJ/AMEMBASSY BEIJING PRIORITY 2040  
RUEHKL/AMEMBASSY KUALA LUMPUR PRIORITY 0222  
RUEHKO/AMEMBASSY TOKYO PRIORITY 1905  
RUEHIT/AMCONSUL ISTANBUL PRIORITY 2476  
RUCPDOG/DEPT OF COMMERCE WASHDC PRIORITY  
RHMFIUU/CDR USCENTCOM MACDILL AFB FL PRIORITY  
RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY  
RUEHVEN/USMISSION USOSCE PRIORITY 2834  
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SENSITIVE  
SIPDIS

STATE FOR SCA/CEN, EAP/CH, EEB  
PLEASE PASS TO USTDA DAN STEIN  
ENERGY FOR EKIMOFF/THOMPSON  
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E.O. 12958: N/A

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SUBJECT: TURKMENISTAN: CHINESE PRESIDENT'S VISIT SWIMMING  
IN NATURAL GAS GOODWILL

REF: 07 ASHGABAT 1210

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: The Chinese president's second visit here in less than a year offered a strong indication that bilateral cooperation, in particular on the planned Turkmenistan-China pipeline, is proceeding very well. If they have not done so already, the two sides will soon sign an additional agreement formalizing the Turkmen president's offer to expand the amount of natural gas that will be delivered to China annually beginning in 2009. With CNPC's commercial presence growing in Turkmenistan, China's overall trade and economic influence seems poised to strengthen as well. Senior Turkmen government officials may be impressed with CNPC's stringent efforts to meet deadlines and deliver on promises, and that may bode well for other Chinese companies interested in doing business here in the near term.  
END SUMMARY.

13. (U) Chinese President Hu Jintao made a second official visit to Turkmenistan August 29-30, less than a year after his Fall, 2007 trip to Ashgabat (reftel). This time, he and President Berdimuhamedov signed a package of minor political and economic documents designed to further expand the relationship in areas such as trade, law enforcement and anti-terrorism cooperation, and Berdimuhamedov confirmed Turkmenistan's continued support for the "One China Policy." President Berdimuhamedov also hosted a ceremony to present the "Niyazov Medal" to Hu Jintao for his efforts to develop the relationship between the two states.

14. (SBU) More importantly, however, the two presidents were reportedly close to signing a new framework agreement relating to the Turkmen president's promise to deliver even more natural gas through the Turkmenistan-China pipeline

beginning in 2009. In mid-August, during his visit to Beijing for the Olympics, Berdimuhamedov announced that Turkmenistan would deliver 40 bcm per year, some 10 bcm more than the countries had agreed to in July 2007. Some 17 bcm of gas will come from areas that CNPC is developing and the remaining 13 bcm will come from other nearby fields, in exchange for the gas processing and purifying facilities CNPC is also constructing, all in Lebap Province near the Amu Darya.

¶5. (SBU) During Hu's visit the Turkmen press reported that the Samandepe and Altyn Asyr gas fields have estimated reserves of 1.3 trillion cubic meters of natural gas, in addition to the Bagtyyarlyk field. CNPC's subsidiary company, International-Turkmenistan, has been doing the exploratory and development work at these fields at an assertive pace, and has expanded its commercial footprint in Lebap Province in recent months. The company recently expanded its Ashgabat offices on Archabil street, to include both the Aziya hotel and the Dayanch hotel next door. All of the companies that are involved in projects relating to the pipeline and the production to fill it are racing to meet the strict deadlines outlined in the July 2007 contract. The Russian company Stroitransgas was working on the 188-kilometer Turkmen section of the pipeline.

¶6. (U) The presidents also discussed expanding the level of trade between the countries. Turkmenistan imports metal work, equipment, railway equipment, communications technology, home appliances, light industry products, construction materials, and housewares from China. China is

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Turkmenistan's fifth largest trade partner. Chinese companies are invested in 49 different projects here worth almost \$1.3 billion, the majority of which are in the oil and gas sector.

¶7. (SBU) COMMENT: There is little question that CNPC's visibility in Turkmenistan, in particular, is growing. With China's commercial activity expanding at such a healthy rate, its trade and economic influence seems poised to strengthen as well. One key to Chinese economic success here is likely CNPC's strong performance over the past year. Senior Turkmen government officials may be impressed with its stringent efforts to meet deadlines and deliver on promises that will bring them one step closer to a dream of independent gas export, and they may now be more open to giving other Chinese companies similar opportunities in the near term. But absent much higher-than-expected CNPC production totals, Berdimuhamedov's promise to deliver 40 bcm of gas per year has many oil and gas experts wondering how he will be able to deliver on his new contracted commitments, given the hydrocarbon sector's disappointing production totals so far this year. END COMMENT.

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